



GRANT'S

W.T. Grant company annual report 1972

grant stores are...

PLANNED to serve a broad spectrum of consumers and to appeal to those who budget spending carefully.

LOCATED in communities where Grant merchandise and services are in greatest demand, with neighboring merchants whose goods or services complement our dominant store.

DESIGNED simply, attractively and functionally, for maximum customer shopping convenience and efficiency.

MANAGED economically to give good customer service through efficient and courteous personnel, neat and orderly stores, convenient self-selection, speedy check-outs, and necessary services.

MERCHANDISED promotionally to feature broad assortments of quality goods for the average American family.

COMMITTED wholeheartedly to back up our Policy "Satisfaction Guaranteed".

highlights

| | 1972 | 1971 |
|---|-----------------|-----------------|
| Sales | \$1,644,747,319 | \$1,374,811,791 |
| Net earnings | \$ 37,787,066 | \$ 35,212,082 |
| Per common share | \$2.70 | \$2.51 |
| Average number of common shares outstanding . | 13,882,138 | 13,874,902 |
| Dividends paid per preferred share | \$3.75 | \$3.75 |
| Dividends paid per common share | \$1.50 | \$1.50 |
| Total dividends paid | \$ 21,141,362 | \$ 21,139,434 |
| Earnings retained in the business | \$ 16,645,704 | \$ 14,072,648 |
| Depreciation and amortization | \$ 12,004,268 | \$ 10,576,708 |
| Capital expenditures | \$ 26,983,000 | \$ 26,476,000 |
| Employee compensation and benefits | \$ 397,133,721 | \$ 336,311,735 |
| Cents per sales dollar | 24.1¢ | 24.5¢ |
| Merchandise inventories | \$ 399,532,793 | \$ 298,676,170 |
| Net fixed assets | \$ 91,419,748 | \$ 77,173,498 |
| Long-term debt | \$ 126,672,000 | \$ 128,432,000 |
| Book value common stock—per share | \$23.25 | \$22.33 |
| Number of preferred stockholders | 625 | 675 |
| Number of common stockholders | 20,211 | 19,045 |
| Number of stores | 1,208 | 1,168 |

THE STORE GROWTH PROGRAM 1968 THROUGH 1972

| | Number of New Stores Opened | Number of Stores Enlarged | Capital Expenditures |
|--------|--------------------------------|------------------------------|-------------------------|
| 1972 | 92 | 5 | \$26,983,000 |
| 1971 | 83 | 5 | 26,476,000 |
| 1970 | 65 | 8 | 15,995,000 |
| 1969 | 52 | 3 | 13,668,000 |
| 1968 | 41 | 11 | 10,625,000 |
| Totals | 333 | 32 | \$93,747,000 |

To Our Stockholders:

We are pleased to report that the year 1972 was one in which the W. T. Grant Company made significant progress. A 19.6% sales gain over the previous year was the highest percentage sales increase the Company had achieved in the past forty-four years, and it marked the 23rd year of successive sales gains. The expanded promotional emphasis program initiated in January, 1972 was the main contributing factor to our strong sales performance. Sales impetus built steadily throughout the year and accelerated in the final half of the year when monthly sales increases exceeded 20% in every month from August through January. As a result the final quarter reached record levels in both sales and earnings.

The following programs were carried out as planned:

- New store expansion was maintained at what we presently feel is the optimum level for the Company of approximately 7 million gross square feet per year.
- As a group, full line stores opened in previous years showed continued sales and earnings increases.
- Strong sales gains in all big ticket hardline items were achieved as more customers sought out Grants for such purchases.
- Everyday promotional pricing of selected, easily recognizable items reinforced our value image with continuing customers and attracted new customers.
- Initial graduates from an accelerated and more concentrated Managers' Training Program were appointed to Store Manager positions and are functioning capably in these posts.

The following are detailed comments:

SALES—Sales totalled \$1,644,747,319, an increase of 19.6% over last year.

Starting in January, 1973, the Company embarked on a new program whereby all full line shopping center stores—those over 50,000 square feet—were designated Grant City stores. During the year the Grant City name will be placed on these store fronts. An entirely separate advertising program has been developed for these full line Grant City stores so that they may be more readily identified by the shopping public from the smaller Grant convenience stores which carry more limited lines of merchandise. At the end of 1972 the Company operated 464 Grant City sized stores. All stores opened in 1973 will be full line Grant City units.

EARNINGS—Our strong sales trend, at a reduced gross margin, caused by the lower pricing of our stepped-up promotional emphasis program, produced earnings of \$37,787,066 or \$2.70 per common share, compared with \$35,212,082 or \$2.51 per share for last year. Fourth quarter profits were a record as this quarter received the greatest benefit from our increasing sales trend.

DIVIDENDS—Dividends of \$1.50 per share on the Common Stock and \$3.75 per share on the Preferred Stock were paid in 1972, the same amounts as paid in 1971. The Company has earned a profit and paid dividends in every year since its start in 1906.

FINANCIAL COMMENTS—Merchandise inventories including merchandise in transit to our stores and distribution facilities amounted to \$399,533,000, and are in good relationship to planned sales.

Short-term debt totalled \$390,034,000, which was \$166,057,000 less than the year end balance of customers' installment accounts receivable.

GROWTH PROGRAM—In 1972 the Company opened ninety-two new stores and enlarged five successful units, with 7,070,000 gross square feet of new store space put into operation. Fifty-two smaller stores were closed during the year, and at year end we had 1,208 stores.

Construction will start approximately April 1, 1973 on a new 475,000 square foot prototype distribution center in Windsor Locks, Connecticut to replace the smaller facility presently in use nearby.

During the year the Company entered into a joint venture agreement with Jewelcor Incorporated to open and operate catalog showroom stores under the name of GranJewel Jewelers & Distributors, Inc. In 1973, the Company plans to pursue an aggressive expansion program in this new avenue of retailing for Grants.

ZELLER'S LIMITED—Our Canadian affiliate had a fine performance in 1972. Sales totalled \$252,701,343, a 25.4% increase over the previous year. Earnings were \$10,257,820 compared to \$7,821,074 the previous year.


The highlights of Zeller's financial position:

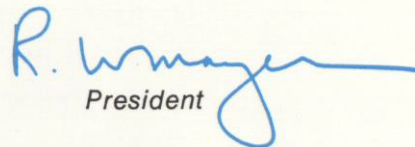
| | 1972 | 1971 |
|---------------------|---------------|--------------|
| Assets | \$122,050,661 | \$94,256,059 |
| Liabilities | 65,756,394 | 44,334,181 |
| Stockholders Equity | 56,294,267 | 49,921,878 |

It is with deep regret that the Company records the death of its Founder and Honorary Chairman of the Board, William Thomas Grant. This magnificent pioneer of retailing leaves us a splendid heritage upon which we will continue to build.

The Company is grateful to its employees and suppliers for their contribution to performance, and to our customers for their support throughout the year. We welcome our new stockholders and appreciate the loyalty of our continuing stockholders.

For 1973 we expect to maintain a strong sales trend and have a good year. We are confident that our full line Grant City stores will continue to mature and substantially contribute to increased sales and profit.


Chairman of the Board


President

grants... a name with many faces

Located in upward of 1,000 communities in 43 States are more than 1,200 Grant stores. Each is dedicated to serving America's families by offering outstanding merchandise values in popular priced lines.

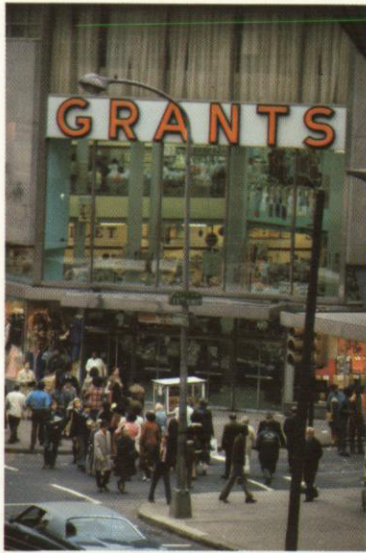
Grant stores range in size from 20,000 to 180,000 square feet and, to the casual observer, each might seem quite different from the next. Different they are, but not by chance. For within three basic categories—downtown, convenience, and full line—each Grant store is tailored to meet the needs of its particular community. Included in the Grant marketing plan are the 219 stores in downtown locations, which cater to the urban dwellers and office workers. Successful over the years, they have been enlarged and modernized in an ongoing program to maintain their competitive appeal in their bustling communities.

The remaining categories of stores are located in shopping centers which provide ample free parking. The smaller Grant shopping center stores are in convenience neighborhood-type centers and are geared to merchandising the bulk of their assortments in everyday family needs. The larger Grant City shopping center stores carry full lines of fashion apparel and a wide range of goods for the home which include major appliances, furniture, rugs, home improvement needs, cameras, garden supplies and automotive accessories.

Indicative of the growth and vitality of the Company is the fact that over 50% of its total square footage of stores in operation today is five years old or less. And although the Company has grown and keeps in step with customer's needs, each store, large or small, still proudly displays the Grants or Grant City name over its doorways—known for values for 66 years!

In the following pages, we take you on a capsule tour of various stores to show you how today's Grant stores meet the needs of our growing family of shoppers across the nation, wherever they may live or work.





grants . . . a traditional downtown landmark

Traffic is what every retailer thrives on. To him, it is the flow of customers through his store. And there are few locations which will draw more traffic than the heart of a viable metropolitan business and shopping area.

Philadelphia is a case in point. Grants, at the corner of Market and Eleventh Street since 1924, serves millions of customers each year. It is, to many Philadelphians, as familiar a landmark as is Independence Hall several blocks to the East. To this downtown community each weekday come the hundreds of thousands of persons who work in the immediate area. They, and additional shoppers pouring out of mass transit facilities, combine to fill its bustling streets.

At Grants, stenographers and businessmen brush shoulders with housewives and tourists, in aisles that are nearly always filled with customers. The vitality of Philadelphia, like that of so many other downtown metropolitan areas, continues to flourish and play a vital and integral part in Grants operations. To name a few: New Orleans, Pittsburgh, Buffalo, St. Paul, Atlanta, Houston, Providence, Boston and Hartford. Downtown Grant stores in many of these communities have been serving Grant customers for close to fifty years, and in each of these cities the downtown stores have served as the nucleus for expansion of Grant shopping center stores into outlying suburbs.





grants convenience stores... filling everyday needs

For millions of American suburban families, the most familiar stores are not on Main Street's downtown shopping area but, rather, in the local shopping center which provides plenty of parking space and is easily accessible with the family car. It's here that each of the more than 500 local Grants convenience stores, catering to the basic everyday needs of the family, are located. With few exceptions, Grant shares the center's space with the supermarket where the family's food shopping is done, and with smaller shops providing additional goods and services.

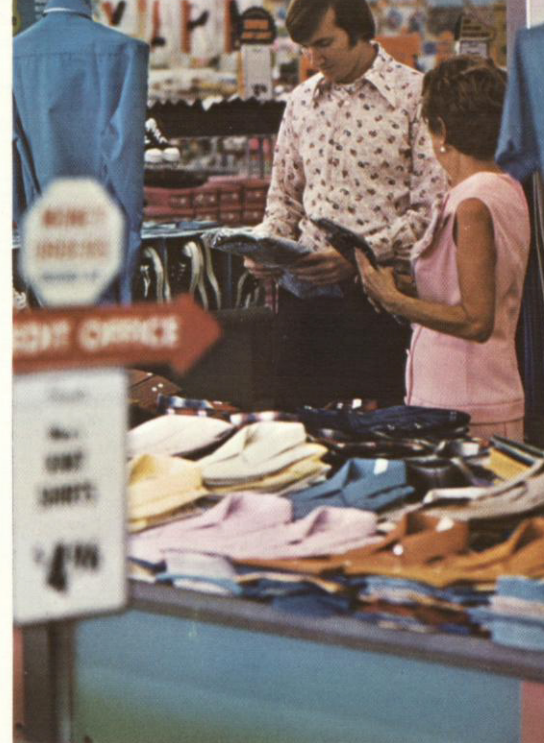
The convenience store's role varies with the community it serves. In some suburban and rural areas, the store, though small by today's standards, is often the largest store within quite some distance, and is one of the few retail outlets in the community where a diverse assortment of basic merchandise is available in quantity under one roof. In more populous urban and suburban areas, it is most frequently one of a cluster of Grant stores which form a major network serving the population. But in either instance, the Grant convenience store is appreciated by customers for providing reasonably priced quality merchandise.





Curtains or drapes? Most housewives will tell you that the assortment in Grants is more complete than most of the largest stores in town—and more reasonably priced. Hosiery, underwear, complete back-to-school outfits, the latest in cookware? It's right there at Grants in enough variety to suit almost any taste. Need paint for redecorating the bedroom...the shade of lipstick that's all the rage...a toy for junior...a portable TV for grandma...or a dress shirt for dad? Again, there's no need to travel far afield when there's a Grants convenience store nearby.

In the more than two decades in which Grants has operated convenience shopping center stores, the Company's reputation for excellence in goods and services has become wider-spread. The convenience stores have supplied the impetus and the springboard for the Company's more recent expansion into even bigger, full line Grant City shopping center stores. So, when Grant customers decide it's time for a new refrigerator, or are in the market for a family-sized swimming pool, they'll travel the extra ten or twenty minutes to one of the larger Grant City stores to make the purchase—because, a Grant customer, is a satisfied customer.





grant city... the full line suburban store

In the mid-1960's the Company embarked on a program of opening larger shopping center stores which would provide the vast assortment of goods and services required by the home owner—each store a veritable city of merchandise—a Grant City. In 1967 there were 102 such full line stores in operation. In the five ensuing years, all new store construction was focused on these larger Grant stores, so that by the end of fiscal 1972 there were 464 full line stores in operation, accounting for well over 50% of the Company's sales.

Late in 1972 the Grant City name was selected to distinguish the full line stores from other operations. In 1973, all full line stores will feature the Grant City name in their advertisements and will be switching to this name over their store fronts.

Convenience stores are the frame on which we built, and the training ground for management of larger stores. The Grant City stores, which range in size from 50,000 to 180,000 square feet, are the Company's muscle and growth tissue and the testing grounds of new merchandise lines and display techniques. Indicative of Grants

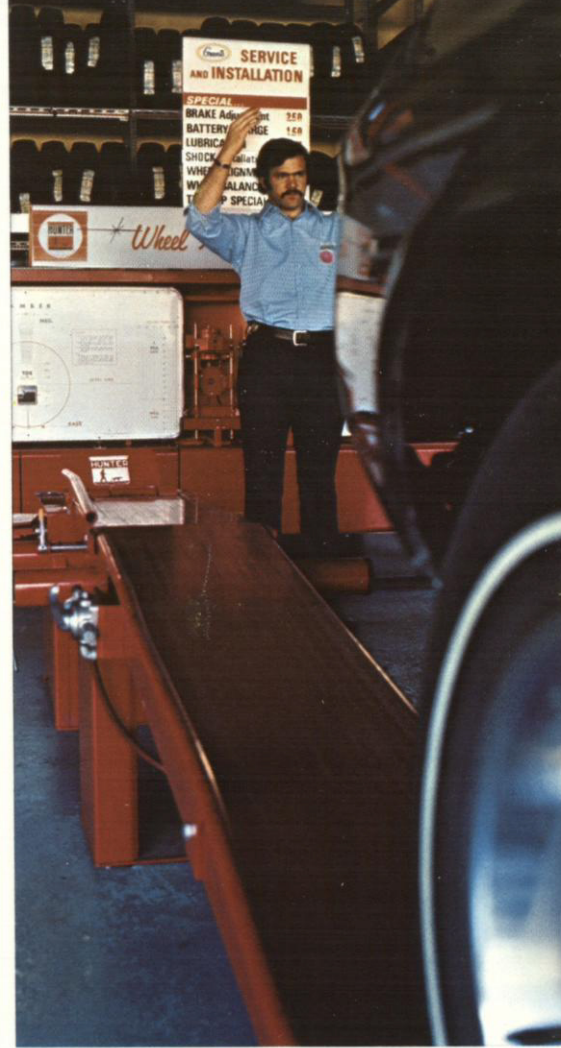




success with its bigger, full line Grant City stores, and the merchandise they feature, is the fact that the Major Appliance Department was, in 1972, the Company's leading sales volume producer.

Extensive growth in sales is also evident in many other merchandise lines which just one decade ago were not available in depth in the Company's stores. These include: furniture and floor coverings; garden shops featuring power mowers as well as trees and shrubs; home improvement lines for the do-it-yourselfer; automotive supplies and services; sporting goods for enthusiasts of almost any leisure-time activity. Suits, sports jackets and slacks are available in the extensive Men's Wear Departments. The ladies of the house will find the most up-to-date apparel selections in the Sportswear, Junior Shop, and Fashion Departments. An array of fashion accessories, shoes and outerwear is on hand to complement any ensemble.

Grant City is the rapidly growing arm of the W. T. Grant Company—a Company which continues to be receptive to important changes enabling it to meet the needs of American consumers.



W. T. Grant Company and consolidated subsidiaries

January 31,

ASSETS

CURRENT ASSETS

| | 1973 | 1972 |
|---|---------------|---------------|
| Cash, including at January 31, 1972, short-term securities of \$13,001,173 at cost (approximate market) | \$ 30,943,099 | \$ 49,850,784 |
| Accounts receivable—Note H | | |
| Customers' installment accounts | 556,091,352 | 493,858,641 |
| Less allowance for doubtful accounts and unearned credit insurance premiums | 24,538,014 | 28,162,996 |
| | 531,553,338 | 465,695,645 |
| Other accounts receivable, claims, etc. | 11,198,027 | 11,628,424 |
| Total accounts receivable, net | 542,751,365 | 477,324,069 |
| Merchandise inventories (including merchandise in transit)—at the lower of cost or market determined principally by the retail inventory method | 399,532,793 | 298,676,170 |
| Prepaid taxes, rents, supplies, etc. | 6,648,311 | 5,377,635 |
| TOTAL CURRENT ASSETS | 979,875,568 | 831,228,658 |

OTHER ASSETS

| | | |
|---|------------|------------|
| Investment in Zeller's Limited, at equity—Note A | 26,948,675 | 23,587,209 |
| Zeller's Limited 5½% Convertible Debentures, at cost | 5,951,109 | 5,951,109 |
| Investment in GranJewel Jewelers & Distributors, Inc., at equity—Note A | 2,081,319 | — |
| Other | 600,000 | 2,828,645 |
| TOTAL OTHER ASSETS | 35,581,103 | 32,366,963 |

COMMON STOCK OF W. T. GRANT COMPANY

| | | |
|--|-----------|-----------|
| 145,400 shares, at cost, held for Deferred Contingent Compensation Plan—Note C | 2,381,044 | 2,381,044 |
|--|-----------|-----------|

STORE PROPERTIES, FIXTURES AND IMPROVEMENTS—on the basis of cost

| | | |
|---|-------------|-------------|
| Buildings | 1,295,488 | 763,995 |
| Furniture & fixtures | 126,670,880 | 112,382,053 |
| Improvements to leased properties | 10,640,270 | 9,239,563 |
| | 138,606,638 | 122,385,611 |
| Less allowance for depreciation and amortization | 47,926,186 | 46,199,995 |
| | 90,680,452 | 76,185,616 |
| Land | 739,296 | 987,882 |
| TOTAL STORE PROPERTIES, FIXTURES AND IMPROVEMENTS | 91,419,748 | 77,173,498 |

UNAMORTIZED DEBT EXPENSES—Note A

| | | |
|--|-----------------|---------------|
| | 1,440,144 | 1,519,580 |
| | \$1,110,697,607 | \$994,669,743 |

statement of financial position

January 31,

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

| | 1973 | 1972 |
|--|--------------------|--------------------|
| Short-term notes payable | \$ 380,033,500 | \$227,740,700 |
| Bank loans | 10,000,000 | 10,000,000 |
| Accounts payable | 78,789,038 | 94,676,607 |
| Salaries, wages and bonuses | 18,999,960 | 15,674,733 |
| Taxes withheld from employees compensation | 2,194,696 | 1,468,217 |
| Taxes other than Federal income taxes | 4,432,879 | 3,692,763 |
| Federal income taxes payable | 8,480,036 | 9,477,256 |
| Deferred credits, principally income taxes related to installment sales—Note A | 130,137,144 | 112,846,308 |
| TOTAL CURRENT LIABILITIES | 633,067,253 | 475,576,584 |

OTHER LIABILITIES

| | | |
|--|--------------------|--------------------|
| Long-term debt—Note D | 126,672,000 | 128,432,000 |
| Deferred Federal income taxes—Note A | 11,925,657 | 9,663,530 |
| Deferred contingent compensation | 2,394,131 | 2,452,535 |
| Other | 2,300,000 | 2,800,000 |
| TOTAL OTHER LIABILITIES | 143,291,788 | 143,348,065 |

CAPITAL—Notes A and F:

Capital Stock:

Cumulative Preferred—\$100 par value:

Authorized 250,000 shares

Issued 85,998 and 90,530 shares, respectively, of 3¾% series

8,599,800 9,053,000

Common—\$1.25 par value:

Authorized 22,500,000 shares

Issued 14,870,198 and 14,823,394 shares, respectively

18,587,748 18,529,243

Paid-in capital

84,717,986 83,963,834

Amounts paid by employees under purchase contracts for Common Stock

1,429,077 1,231,674

Earnings retained for use in the business

261,153,443 244,507,739

374,488,054 357,285,490

Less 876,794 and 655,009 shares, respectively, of treasury Common Stock, at cost

40,149,488 31,540,396

TOTAL CAPITAL

334,338,566 325,745,094

LEASES—Note G

\$1,110,697,607 \$944,669,743

(See notes to financial statements.)

W. T. Grant Company and consolidated subsidiaries

statement of operations

Year ended January 31,

| | 1973 | 1972 |
|---|----------------------|----------------------|
| Sales | \$1,644,747,319 | \$1,374,811,791 |
| Income from concessions | 3,752,866 | 3,438,795 |
| | <u>1,648,500,185</u> | <u>1,378,250,586</u> |
| Cost of merchandise sold, buying and occupancy costs | 1,125,261,115 | 931,237,312 |
| | <u>523,239,070</u> | <u>447,013,274</u> |
| Selling, general and administrative expenses— Note H | 444,377,306 | 373,815,889 |
| | <u>78,861,764</u> | <u>73,197,385</u> |
| Other income: | | |
| Interest earned—Note H | 602,218 | 932,976 |
| Miscellaneous | 585,766 | 600,584 |
| | <u>1,187,984</u> | <u>1,533,560</u> |
| | 80,049,748 | 74,730,945 |
| Other deductions: | | |
| Interest expense—Note H | 21,127,084 | 16,451,635 |
| Miscellaneous | 501,205 | 518,187 |
| | <u>21,628,289</u> | <u>16,969,822</u> |
| Earnings before Federal income taxes | 58,421,459 | 57,761,123 |
| Provision for Federal income taxes—Note A: | | |
| Current | 9,587,711 | 13,487,400 |
| Deferred | 16,162,289 | 13,012,600 |
| | <u>25,750,000</u> | <u>26,500,000</u> |
| Earnings before unconsolidated subsidiaries | 32,671,459 | 31,261,123 |
| Equity in net earnings of unconsolidated subsidiaries: | | |
| Zeller's Limited, (including dividends received of \$1,712,822 and \$1,568,222, respectively) | 5,074,288 | 3,950,959 |
| GranJewel Jewelers & Distributors, Inc. | 41,319 | — |
| | <u>5,115,607</u> | <u>3,950,959</u> |
| NET EARNINGS | <u>\$ 37,787,066</u> | <u>\$ 35,212,082</u> |
| NET EARNINGS PER COMMON SHARE—Note B | <u>\$2.70</u> | <u>\$2.51</u> |

(See notes to financial statements.)

W. T. Grant Company and consolidated subsidiaries

statement of capital

for the two years ended January 31, 1973

| | Cumulative Preferred Stock | Common Stock | Paid-in Capital | Payments by employees under stock purchase contracts | Earnings retained for use in the business | Treasury Common Stock |
|--|----------------------------|--------------|-----------------|--|---|-----------------------|
| Balance at February 1, 1971 | \$9,600,000 | \$18,180,280 | \$76,637,378 | \$1,478,312 | \$230,435,091 | (\$34,294,637) |
| Purchase and cancellation of 5,470 shares of Cumulative Preferred Stock | (547,000) | | 238,563 | 7,715,274 | | |
| Receipts from employees under stock purchase contracts | | 248,376 | 4,959,295 | (7,961,912) | | 2,754,241 |
| Issuance of 198,700 shares of unissued Common Stock and 60,110 shares of treasury Common Stock under Employees' Stock Purchase Plans | | 100,587 | 2,128,598 | | 35,212,082 | |
| Conversion of 4% Convertible Subordinated Debentures into 80,470 shares of Common Stock | | | | | | |
| Net earnings for the year | | | | | | |
| Cash dividends: | | | | | | |
| 3¾% Cumulative Preferred Stock—Four quarterly dividends of 93¾¢ each per share | | | | | (345,813) | |
| Common Stock—Four quarterly dividends of 37½¢ each per share | | | | | (20,793,621) | |
| Balance at January 31, 1972 | 9,053,000 | 18,529,243 | 83,963,834 | 1,231,674 | 244,507,739 | (31,540,396) |
| Purchase of 284,140 shares of treasury Common Stock | | | | | | (11,466,198) |
| Purchase and cancellation of 4,532 shares of Cumulative Preferred Stock | (453,200) | | 201,609 | | | |
| Receipts from employees under stock purchase contracts | | | | 3,491,518 | | |
| Issuance of 40,525 shares of unissued Common Stock and 62,355 shares of treasury Common Stock under Employees' Stock Purchase Plans | | 50,656 | 386,353 | (3,294,115) | | |
| Conversion of 4% Convertible Subordinated Debentures into 6,279 shares of Common Stock | | 7,849 | 166,190 | | | |
| Net earnings for the year | | | | | 37,787,066 | |
| Cash dividends: | | | | | | |
| 3¾% Cumulative Preferred Stock—Four quarterly dividends of 93¾¢ each per share | | | | | (334,709) | |
| Common Stock—Four quarterly dividends of 37½¢ each per share | | | | | (20,806,653) | |
| Balance at January 31, 1973 | \$8,599,800 | \$18,587,748 | \$84,717,986 | \$1,429,077 | \$261,153,443 | (\$40,149,488) |

(See notes to financial statements.)

statement of changes in financial position

| | Year ended January 31, | |
|--|------------------------|----------------------|
| | 1973 | 1972 |
| Source of Funds: | | |
| From operations: | | |
| Net earnings | \$ 37,787,066 | \$ 35,212,082 |
| Less increase in the undistributed equity in unconsolidated subsidiaries | 3,402,785 | 2,382,737 |
| | <u>34,384,281</u> | <u>32,829,345</u> |
| Plus charges to income not affecting working capital: | | |
| Depreciation and amortization | 12,004,268 | 10,576,708 |
| Increase in deferred Federal income taxes | 2,262,127 | 1,145,479 |
| Decrease in other liabilities | (558,404) | (520,638) |
| Total from operations | 48,092,272 | 44,030,894 |
| Sale of Common Stock to employees | 3,491,518 | 7,715,274 |
| Sale of 4¾ % Convertible Subordinated Debentures | — | 100,000,000 |
| Common Stock issued upon conversion of 4% Debentures | 174,039 | 2,229,185 |
| Decrease in other assets | 2,228,645 | — |
| Total Funds Provided | <u>53,986,474</u> | <u>153,975,353</u> |
| Application of Funds: | | |
| Dividends to stockholders | 21,141,362 | 21,139,434 |
| Investment in properties, fixtures and improvements | 26,250,518 | 25,917,854 |
| Purchase of treasury Common Stock | 11,466,198 | — |
| Purchase of Cumulative Preferred Stock for cancellation | 251,591 | 308,437 |
| Retirement of 4¾ % Sinking Fund Debentures | 1,584,000 | 1,615,000 |
| Investment in GranJewel Jewelers & Distributors, Inc., Common Stock | 2,040,000 | — |
| Investment in Zeller's Limited Convertible Debentures | — | 5,951,109 |
| Conversion of 4% Convertible Subordinated Debentures | 176,000 | 2,254,000 |
| Unamortized expense upon issuance of debentures | — | 1,273,904 |
| Increase (decrease) in sundry accounts—net | (79,436) | 46,103 |
| Total Funds Applied | <u>62,830,233</u> | <u>58,505,841</u> |
| Working Capital Increase (Decrease) | <u>\$ (8,843,759)</u> | <u>\$ 95,469,512</u> |
| Current Assets Increase (Decrease) | | |
| Cash and short-term securities | \$ (18,907,685) | \$ 15,842,035 |
| Total accounts receivable, net | 65,427,296 | 57,592,943 |
| Merchandise inventories | 100,856,623 | 38,183,841 |
| Other current assets | 1,270,676 | 427,595 |
| | <u>148,646,910</u> | <u>112,046,414</u> |
| Current Liabilities Increase (Decrease) | | |
| Short-term notes payable and bank loans | 152,292,800 | (8,679,516) |
| Accounts payable | (15,887,569) | 13,995,151 |
| Salaries, wages and bonuses | 3,325,227 | 160,996 |
| Taxes other than Federal income taxes | 740,116 | (1,771,842) |
| Federal income taxes payable | (997,220) | (4,089,684) |
| Deferred credits principally income taxes related to installment sales | 17,290,836 | 18,357,465 |
| Taxes withheld from employees' compensation | 726,479 | (1,395,668) |
| | <u>157,490,669</u> | <u>16,576,902</u> |
| Working Capital Increase (Decrease) | <u>\$ (8,843,759)</u> | <u>\$ 95,469,512</u> |

(See notes to financial statements.)

notes to financial statements

January 31, 1973

NOTE A—SUMMARY OF ACCOUNTING POLICIES

The financial statements include the accounts of the Company and its two wholly-owned subsidiaries, W. T. Grant Financial Corporation and Jones & Presnell Studios, Inc.

The Company carries its investments in Zeller's Limited (a 50.3% owned Canadian subsidiary, cost \$8,893,326) and GranJewel Jewelers & Distributors, Inc. (51% owned, cost \$2,040,000) at equity and has included in net earnings its equity in net earnings of such subsidiaries. Zeller's Limited has consistently followed the policy of distributing approximately 40%-50% of current earnings and permanently reinvesting the remainder. In any event, no U.S. deferred income taxes nor Canadian withholding taxes have been provided on such undistributed earnings, as such taxes would be substantially offset by available foreign tax credits.

For further details as to financial position and results of operations of Zeller's Limited, refer to "To Our Stockholders" elsewhere in this Annual Report.

Gross profits on sales on the installment basis are reflected in the financial statements when the sales are made, whereas, for Federal income tax purposes, such gross profits are reported as income as collections are received. The resulting difference between taxes accrued and taxes actually payable is included as "Deferred credits, principally income taxes related to installment sales".

At January 31, 1973 accumulated depreciation of approximately \$24,801,000 has been deducted for tax purposes in excess of the amount (using the straight-line method) reflected in the financial statements. The resulting tax difference is included in "Deferred Federal income taxes".

Investment credits totalling approximately \$1,750,000 and \$1,000,000 have been deducted (flow-through method) from the provision for Federal income taxes for the years ended January 31, 1973 and 1972, respectively.

The Company has an Employees' Retirement Plan available to all its employees. The amounts charged to operations for the years ended January 31, 1973 and 1972 for this Plan were \$1,261,018 and \$1,258,877, respectively. The Company funds pension costs accrued.

Expenses associated with the opening of new stores are written off in the year of store opening.

Unamortized debt expenses are being amortized over the lives of the debentures by the "bonds-outstanding method".

NOTE B—NET EARNINGS PER COMMON SHARE

Net earnings per share of common stock (equivalent to fully diluted), after deduction of dividends on Preferred Stock, have been determined based upon the average number of shares outstanding during each year.

NOTE C—DEFERRED CONTINGENT COMPENSATION AND EXECUTIVE BONUS PLANS

The amount charged to operations for the Deferred Contingent Compensation Plan was \$650,000 and \$700,000 for the years ended January 31, 1973 and 1972, respectively.

The amount charged to operations for the Executive Bonus Plan, in which all executives participate, was \$4,803,365 and \$4,311,566 for the years ended January 31, 1973 and 1972, respectively.

| | January 31, | |
|--|----------------------|----------------------|
| | 1973 | 1972 |
| 4¾% Convertible Subordinated Debentures dated April 15, 1971 and due April 15, 1996 | \$100,000,000 | \$100,000,000 |
| 4¾% Sinking Fund Debentures dated January 1, 1962 and due January 1, 1987 (annual sinking fund payment of \$1,500,000) | 25,576,000 | 27,160,000 |
| 4% Convertible Subordinated Debentures dated June 1, 1965 and due June 1, 1990 | 1,096,000 | 1,272,000 |
| | <u>\$126,672,000</u> | <u>\$128,432,000</u> |

As of January 31, 1973 and 1972, 39,142 and 45,428 shares respectively of Common Stock of the Company were reserved for conversion of the 4% Convertible Subordinated Debentures at the conversion price of \$28 a share. In addition, at January 31, 1973 and 1972, 1,369,863 shares were reserved for conversion of the 4¾% Convertible Subordinated Debentures, at the conversion price of \$73 a share.

NOTE E—FEDERAL INCOME TAXES

Federal income tax returns of the Company have been examined by the Internal Revenue Service through January 31, 1969. Certain adjustments proposed by the Internal Revenue Service for the years January 31, 1964 through January 31, 1969 which remain open, and which, in the opinion of management, would have no significant effect upon the financial statements, have been successfully defended in the Tax Court. This decision has been appealed by the Internal Revenue Service.

NOTE F—CAPITAL

The 3¾% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at \$100 per share.

At January 31, 1973 and 1972, 289,615 and 372,750 shares, respectively, of the Company's unissued Common Stock were reserved under the 1960 Employees' Stock Purchase Plan. An additional 1,000,000 shares of unissued Common Stock has been reserved under the 1970 Employees' Stock Purchase Plan. Contracts for the sales of such shares, on a deferred payment basis, are made at approximate market prices at dates of contracts. Shares are issued after completion of payments. In addition to the shares reserved for conversion of debentures as previously noted, 145,400 shares of issued Common Stock at January 31, 1973 and 1972, were held for the Deferred Contingent Compensation Plan.

Notes to financial statements (continued)

NOTE G—LEASES

The Company is lessee of real property, principally operating stores, under leases requiring minimum annual rentals (plus taxes, other expenses and percentage rentals under the terms of certain of the leases which for the year ended January 31, 1973 amounted to \$6,798,000). Minimum annual rentals under existing leases follow:

| Year ended January 31, | Minimum Annual Rentals | |
|---------------------------|-----------------------------|--------------|
| | Percentage Rental Leases | Total |
| 1974 | \$72,843,000 | \$89,173,000 |
| 1975 | 72,045,000 | 88,124,000 |
| 1976 | 70,659,000 | 86,397,000 |
| 1977 | 68,198,000 | 83,521,000 |
| 1978 | 65,336,000 | 80,229,000 |

NOTE H—ACCOUNTS RECEIVABLE AND INTEREST

Unearned credit insurance premiums amounted to \$8,768,405 and \$12,413,436 at January 31, 1973 and 1972, respectively.

Finance charges on customers' installment accounts, included as a reduction of selling, general and administrative expenses, amounted to approximately \$76,826,000 and \$71,881,000 for the years ended January 31, 1973 and 1972, respectively. Pro forma interest expense and operating expenses related to the credit operations exceeded finance charges to customers.

Customers' installment accounts range in maturities up to 36 months, with finance charges, where appropriate, ranging up to an annual percentage rate of approximately 18%.

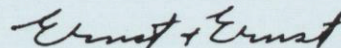
Interest earned for the years ended January 31, 1973 and 1972 includes \$267,281 and \$124,988, respectively, on the Zeller's Limited 5½ % Convertible Debentures. For the years ended January 31, 1973 and 1972, interest expense on long-term debt amounted to \$6,070,375 and \$5,129,733, respectively.

ACCOUNTANTS' REPORT

Board of Directors and Stockholders
W. T. Grant Company
New York, N.Y.

We have examined the consolidated financial statements of the W.T. Grant Company and consolidated subsidiaries for the years ended January 31, 1973 and 1972. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements of financial position, operations, capital and changes in financial position present fairly the consolidated financial position of the W. T. Grant Company and consolidated subsidiaries at January 31, 1973 and 1972 and the consolidated results of their operations, changes in capital and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



New York, N.Y.
March 16, 1973

comparative statement of operations

(amounts in 000's) (years ended January 31 of subsequent years)

| | 1972 | 1971 | 1970 | 1969 | 1968 |
|---|-------------|-------------|-------------|-------------|-------------|
| Sales | \$1,644,747 | \$1,374,812 | \$1,254,131 | \$1,210,918 | \$1,096,152 |
| Income from concessions | 3,753 | 3,439 | 4,985 | 3,748 | 2,873 |
| | 1,648,500 | 1,378,251 | 1,259,116 | 1,214,666 | 1,099,025 |
| Cost of merchandise sold and operating expenses | 1,569,638 | 1,305,053 | 1,172,960 | 1,124,300 | 1,018,548 |
| | 78,862 | 73,198 | 86,156 | 90,366 | 80,477 |
| Interest and other income | 1,188 | 1,533 | 1,476 | 1,615 | 1,362 |
| Less: interest expense and other deductions | 21,628 | 16,970 | 19,430 | 15,504 | 10,303 |
| Earnings before Federal income taxes | 58,422 | 57,761 | 68,202 | 76,477 | 71,536 |
| Provision for Federal income taxes | 25,750 | 26,500 | 32,800 | 38,000 | 36,280 |
| | 32,672 | 31,261 | 35,402 | 38,477 | 35,256 |
| Equity in net earnings of unconsolidated subsidiaries | 5,115 | 3,951 | 4,175 | 3,332 | 2,927 |
| NET EARNINGS | \$ 37,787 | \$ 35,212 | \$ 39,577 | \$ 41,809 | \$ 38,183 |
| NET EARNINGS PER COMMON SHARE | \$2.70 | \$2.51 | \$2.87 | \$2.99 | \$2.71 |

comparative statement of financial position

(amounts in 000's) (at January 31 of subsequent years)

| | 1972 | 1971 | 1970 | 1969 | 1968 |
|---|-------------|-----------|-----------|-----------|-----------|
| ASSETS: | | | | | |
| Cash and securities | \$ 30,943 | \$ 49,851 | \$ 34,009 | \$ 32,977 | \$ 25,639 |
| Net accounts receivable | 542,751 | 477,324 | 419,731 | 368,267 | 312,776 |
| Merchandise inventories | 399,533 | 298,676 | 260,492 | 222,128 | 208,623 |
| Prepaid expenses | 6,649 | 5,378 | 4,950 | 5,037 | 4,402 |
| TOTAL CURRENT ASSETS | 979,876 | 831,229 | 719,182 | 628,409 | 551,440 |
| INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES | 29,030 | 23,587 | 21,204 | 17,992 | 15,908 |
| PROPERTIES, FIXTURES AND IMPROVEMENTS | 91,420 | 77,173 | 61,832 | 55,311 | 49,931 |
| OTHER ASSETS | 10,372 | 12,681 | 5,410 | 5,083 | 4,830 |
| TOTAL ASSETS | \$1,110,698 | \$944,670 | \$807,628 | \$706,795 | \$622,109 |
| LIABILITIES: | | | | | |
| Notes payable and bank loans | \$ 390,034 | \$237,741 | \$246,420 | \$182,132 | \$118,125 |
| Accounts payable | 104,416 | 115,513 | 104,524 | 94,584 | 85,099 |
| Federal taxes payable | 8,480 | 9,477 | 13,567 | 9,560 | 16,981 |
| Deferred credits (taxes) | 130,137 | 112,846 | 94,489 | 80,443 | 65,073 |
| TOTAL CURRENT LIABILITIES | 633,067 | 475,577 | 459,000 | 366,719 | 285,278 |
| LONG-TERM DEBT | 126,672 | 128,432 | 32,301 | 35,402 | 43,251 |
| DEFERRED FEDERAL INCOME TAXES | 11,926 | 9,664 | 8,518 | 8,287 | 7,941 |
| OTHER LIABILITIES | 4,694 | 5,252 | 5,773 | 5,699 | 5,518 |
| CAPITAL: | | | | | |
| Cumulative Preferred Stock | 8,600 | 9,053 | 9,600 | 11,450 | 13,250 |
| Common Stock | 64,586 | 72,184 | 62,001 | 67,559 | 77,264 |
| Earnings retained for use in the business | 261,153 | 244,508 | 230,435 | 211,679 | 189,607 |
| TOTAL LIABILITIES AND CAPITAL | \$1,110,698 | \$944,670 | \$807,628 | \$706,795 | \$622,109 |

other items

| | 1972 | 1971 | 1970 | 1969 | 1968 |
|---|-----------|-----------|-----------|-----------|-----------|
| Number of stores | 1,208 | 1,168 | 1,116 | 1,095 | 1,092 |
| Pre-tax earnings per sales dollar | 3.6¢ | 4.2¢ | 5.4¢ | 6.3¢ | 6.5¢ |
| Dividends per common share | \$1.50 | \$1.50 | \$1.50 | \$1.40 | \$1.30 |
| Working Funds*—in 000's | \$476,946 | \$468,498 | \$354,671 | \$342,133 | \$331,235 |
| Working Funds Ratio** | 1.9 | 2.3 | 2.0 | 2.2 | 2.5 |
| Net Worth—in 000's | \$334,339 | \$325,745 | \$302,036 | \$290,688 | \$280,121 |
| % earned on net worth | 11.3 | 10.8 | 13.1 | 14.4 | 13.6 |

*Working Funds consist of current assets less current liabilities, excluding deferred credits for taxes related to installment sales.

**Working Funds Ratio is the ratio between current assets and current liabilities excluding deferred credits.

the 1972 new store opening program

With the increase of the new store opening program, we have received inquiries as to the locations where we are opening new units. The following tabulation indicates, by state and community, the location of each of the 92 new stores opened during 1972.

The total program in any given year is the result of the individual selection of each new store site based upon its emergence as a new market for one of our three prototype stores.

| | | |
|----------------------|------------------------|------------------------|
| ALABAMA 3 | INDIANA 5 | NEW JERSEY 3 |
| Albertville | Elwood | Glassboro |
| Eufaula | Frankfort | Haddon Township |
| Prattville | Plymouth | South Plainfield |
| ARIZONA 1 | Richmond | |
| Casa Grande | Seymour | NEW YORK 6 |
| CALIFORNIA 6 | IOWA 1 | Amsterdam |
| Hemet | Sioux City | Hamburg |
| Madera | KENTUCKY 1 | Macedon |
| Manteca | Madisonville | Nedrow |
| Sacramento | LOUISIANA 2 | Ogdensburg |
| Tulare | Bossier City | Port Jervis |
| Turlock | Shreveport | OHIO 5 |
| CONNECTICUT 4 | MAINE 1 | Chardon |
| Avon-Simsbury | Portland | Fostoria |
| Barkhamsted | MASSACHUSETTS 4 | Kent-Ravenna |
| Bristol | Bridgewater | Massilon |
| Ridgefield | North Reading | Salem |
| DELAWARE 1 | Somerset | PENNSYLVANIA 10 |
| New Castle | Sturbridge | Corapolis |
| FLORIDA 5 | MICHIGAN 9 | East Stroudsburg |
| Homestead | Albion | Erie |
| Miami | Cadillac | Honesdale |
| Sarasota | Ionia | Huntingdon |
| Stuart | Ludington | Meadville |
| Venice | Manistee | New Castle |
| GEORGIA 8 | Niles | New Kensington |
| Americus | Sterling Heights | Souderton |
| Atlanta | Traverse City | York |
| Cartersville | Utica | RHODE ISLAND 2 |
| Cedartown | MISSISSIPPI 1 | Warren |
| Marieta | Greenville | Woonsocket |
| Moultrie | NEBRASKA 1 | TENNESSEE 3 |
| Perry | Bellevue | Cookeville |
| Thomaston | NEW HAMPSHIRE 1 | Knoxville |
| ILLINOIS 2 | Derry | Lawrenceburg |
| Cahokia | | VIRGINIA 6 |
| Pontiac | | Eagleville |
| | | Henrico |
| | | Portsmouth |
| | | Pulaski |
| | | Richmond |
| | | South Hill |
| | | WEST VIRGINIA 1 |
| | | New Martinsville |

W. T. Grant Company

EXECUTIVE AND BUYING OFFICES 1515 BROADWAY, TIMES SQUARE, NEW YORK, N. Y. 10036

DIRECTORS

| | |
|----------------------------------|-----------------------|
| EDWARD STALEY <i>Chairman</i> | JAMES G. KENDRICK |
| A. RICHARD BUTLER | JOHN J. LaPLANTE |
| JOSEPH W. CHINN, JR. | LOUIS C. LUSTENBERGER |
| JOHN G. CURTIN | RICHARD W. MAYER |
| JOSEPH HINSEY | DeWITT PETERKIN, JR. |
| RAYMOND H. FOGLER | CHARLES F. PHILLIPS |
| JOHN D. GRAY | HARRY E. PIERSON |
| | ASA T. SPAULDING |

OFFICERS

| | |
|---|---|
| EDWARD STALEY <i>Chairman of the Board</i> | ANTHONY E. LORENZO <i>Credit Vice President</i> |
| RICHARD W. MAYER <i>President</i> | P. THOMAS PICARRO <i>Eastern Region Vice President</i> |
| A. RICHARD BUTLER <i>Merchandise Vice President</i> | JAMES R. ROBBINS <i>Southern Region Vice President</i> |
| JOHN G. CURTIN <i>Financial and Store Expansion Vice President</i> | CHARLES J. SEITZ <i>Import Vice President</i> |
| JOHN J. La PLANTE <i>Personnel Vice President</i> | CLAYTON R. STALKER <i>Central Region Vice President</i> |
| ROBERT A. LUCKETT <i>Corporate Services Vice President and Comptroller</i> | ARNOLD SUVAL <i>Fashion Merchandise Group Vice President</i> |
| HARRY E. PIERSON <i>Store Management Vice President</i> | ROBERT J. KELLY <i>Secretary and General Counsel</i> |
| JAMES L. CAMPBELL <i>Softwares Merchandise Group Vice President</i> | EDMUND B. WOOD, JR. <i>Treasurer</i> |
| ROBERT R. CHAPLIN <i>Home Furnishings Merchandise Group Vice President</i> | CHARLES A. DOYLE <i>Assistant Secretary</i> |
| JOHN F. CROWLEY <i>Pittsburgh Region Vice President</i> | JAMES C. DUNNE <i>Assistant Secretary</i> |
| JOHN P. DANE, JR. <i>New England Region Vice President</i> | EVA M. FABREGAS <i>Assistant Comptroller</i> |
| HERBERT KAUFMAN <i>Smallwares Merchandise Group Vice President</i> | ALLAN E. LOMEN <i>Assistant Comptroller</i> |
| MICHAEL KOPENITS <i>Western Region Vice President</i> | |



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